

ANNUAL REPORT

1975

Halifax Developments Limited

1965 to

1975

...entering a second decade  
of development leadership...

# DIRECTORY

## BOARD OF DIRECTORS

H. P. Connor	Chairman of the Board, National Sea Products Limited
A. R. Harrington	Business Executive
David J. Hennigar	Atlantic Regional Director, Burns Fry Limited
J. J. Jodrey	President, Minas Basin Pulp & Power Company Limited
J. H. Mowbray Jones	Chairman of the Board, Hermes Electronics Limited
L. A. Kitz, Q.C.	Senior Partner, Kitz, Matheson, Green & MacIsaac
M. H. D. McAlpine	President, Robert McAlpine Limited
J. T. MacQuarrie, Q.C.	Partner, Stewart, MacKeen & Covert
H. B. Rhude, Q.C.	Lawyer
W. H. Richardson	President, Balcom-Chittick Limited
Donald R. Sobey	President, Halifax Developments Limited
F. H. Sobey	Honorary Chairman of the Board, Sobeys Stores Limited

## OFFICERS

J. J. Jodrey	Chairman of the Board
D. R. Sobey	President
A. R. Harrington	Vice-President
L. A. Kitz	Vice-President
D. B. Hyndman	Vice-President and Secretary
J. M. Doull	Vice-President, Operations

## BANK

The Bank of Nova Scotia

## SOLICITORS

Kitz, Matheson, Green & MacIsaac;  
Stewart, MacKeen & Covert

## AUDITORS

H. R. Doane and Company

## TRANSFER AGENT AND REGISTRAR

Canada Permanent Trust Company, Halifax, Montreal, Toronto, Calgary

## LISTED

Toronto Stock Exchange

## HEAD OFFICE

Barrington Tower, Scotia Square, Halifax, Nova Scotia

# FINANCIAL HIGHLIGHTS

	1975	1974	1973	1972
Gross Income	<b>\$8,154,126</b>	\$7,254,678	\$6,002,023	\$5,436,028
Income before Income Taxes and Extraordinary Income	<b>\$ 527,706</b>	\$ 307,367	\$ 139,950	\$ 8,118
Per Share	<b>12¢</b>	7¢	3¢	—
Extraordinary Income	—	—	\$ 249,868	—
Deferred Income Taxes	<b>\$ 271,355</b>	\$ 156,055	—	—
Net Income	<b>\$ 256,351</b>	\$ 151,312	\$ 389,818	\$ 8,118
Per Share	<b>6¢</b>	4¢	9¢	—
Cash Flow	<b>\$1,033,331</b>	\$ 745,062	\$ 635,345	\$ 372,141
Per Share	<b>24¢</b>	17¢	15¢	10¢
Average Shares Outstanding	<b>4,319,705</b>	4,299,552	4,128,135	3,654,944
Shareholders' Equity	<b>\$8,542,511</b>	\$8,372,554	\$7,970,242	\$6,872,448
Book Value Per Share	<b>\$ 1.98</b>	\$ 1.94	\$ 1.89	\$ 1.76

# REPORT TO SHAREHOLDERS

We are pleased to report new records in total revenue, cash flow and net income from operations for the fiscal year 1975. Total revenue increased from \$7,254,678 to \$8,154,126. Cash flow amounted to \$1,033,331 or 24¢ per share, compared to 17¢ per share last year. Net Income increased to \$256,351 or 6¢ per share.

The Company's initial dividend of 2¢ per share was paid on June 16th, 1975, being the first return to Shareholders since incorporation in 1965.

The year saw continued growth in the assets of your Company with the completion of the Cogswell Tower, our third office building, which was completed in May 1975 and is now over half leased. MacKeen Towers, our second apartment building which was opened in late 1974, is currently over 90% occupied.

As reported last year, Halifax Parking Limited, a wholly owned subsidiary, operates the parking facilities of Scotia Square, including the main 1600 car parkade. As downtown development continues, so should the demand for these parking facilities.

On the inside back cover of this report will be found a location map of the major developments now completed, under construction or planned in the Scotia Square area. This illustrates the extent to which Scotia Square continues to influence the location of development in the downtown core. One of the largest of the new projects is being undertaken by Durham Leasholds Limited, a Nova Scotia Company, which is owned 50% by Halifax Developments Limited and 50% by Oxford Development Group Limited of Edmonton. Durham is developing two large parcels of land on the east side of Barrington Street separated from each other by Duke Street. The parcel to the south of Duke Street, Phase I of Granville Place, is a fourteen storey office tower in which the major tenant will be the Canadian Imperial Bank of Commerce. Construction of this tower is well underway. The parcel of land to the north of Duke Street will be the site of Phase II of Granville Place, a four-level retail mall connected by overhead pedestrian walkways to Scotia Mall.

Durham was also the owner of an additional parcel of land, west of City Hall and the Grand Parade, on the south side of Duke Street, formerly known as the Moirs' property. The Company has received notice of expropriation of this property by the Province of Nova Scotia but compensation has not yet been determined. The City of Halifax and the Province of Nova Scotia intend to construct on this and adjacent property a multi-use sports and convention facility.

IN LOOKING FORWARD TO 1976 . . . . .

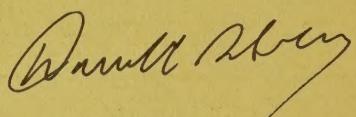
Opportunities for increased profit will be affected by the Government fiscal restraint program. In particular, the Company's apartment towers are subject to Provincial rent control legislation. It is too early, however, to determine the impact on earnings. The initial phase-in costs of the MacKeen and Cogswell Towers may have a downward influence on earnings. On the other hand, lease renewals in the Duke and Barrington Towers and increased percentage rentals resulting from higher sales in Scotia Mall should have an offsetting influence.

The success of the past year is directly related to the efforts of the employees of your Company and on behalf of the Directors and Shareholders, we wish to thank them for the results shown in these statements.

Chairman



President



# CONSOLIDATED STATEMENT OF INCOME

**December 31**

**1975**

**1974**

Gross income	<b>\$8,154,126</b>	\$7,254,678
Operating expenses	<b>4,758,942</b>	4,104,040
	<b>3,395,184</b>	3,150,638
Interest on long-term debt	<b>2,419,731</b>	2,460,482
	<b>975,453</b>	690,156
Depreciation	<b>426,900</b>	384,140
Amortization	<b>78,725</b>	54,951
	<b>505,625</b>	439,091
Investment income	<b>469,828</b>	251,065
	<b>57,878</b>	56,302
Income before income taxes	<b>527,706</b>	307,367
Deferred income taxes	<b>271,355</b>	156,055
Net income	<b>\$ 256,351</b>	\$ 151,312
Earnings per share (Note 7)	<b>\$ .06</b>	\$ .04

## Consolidated

December 31

ASSETS	1975	1974
Receivables	\$ 553,001	\$ 628,381
Prepaid expenses	57,555	49,854
Receivable, Scotia Square Hotel Limited (Note 2)		1,780,964
Performance deposit	150,000	150,000
Investment in corporate joint venture (Note 3)	561,480	184,852
Land, buildings and equipment (Note 4)	45,896,923	44,109,237
Unamortized bond discount and expenses (Note 1d)	644,276	678,044
Deferred charges, less amortization \$33,462 (Note 1e)	66,925	
Excess of purchase cost of subsidiary over book value of assets acquired (Note 6)	218,402	229,897
	\$48,148,562	\$47,811,229

On Behalf of the Board

Director

Director

The accompanying notes form part of this statement.

# MENTS LIMITED

## balance Sheet

### LIABILITIES

	December 31	
	1975	1974
Bank indebtedness	\$ 438,223	\$ 133,743
Payables and accruals	1,065,684	962,528
Income Debenture, due September 30, 1976	2,000,000	2,000,000
Construction accounts payable	108,086	1,544,866
Long-term debt (Note 5)	35,566,648	34,641,483
Deferred income taxes	427,410	156,055
	<b>39,606,051</b>	39,438,675

### SHAREHOLDERS' EQUITY

Capital stock (Note 7)		
Authorized — 5,000,000 common shares without nominal value		
Issued and outstanding — 4,319,705 shares	<b>7,951,493</b>	7,951,493
Retained earnings	<b>591,018</b>	421,061
	<b>8,542,511</b>	8,372,554
	<b>\$48,148,562</b>	\$47,811,229

### AUDITORS' REPORT

#### To the Shareholders of Halifax Developments Limited

We have examined the consolidated balance sheet of Halifax Developments Limited and its subsidiary as at December 31, 1975 and the consolidated statements of income, retained earnings, source and application of cash and cash flow for the year then ended, and have obtained all the information and explanations we have required. Our examination of the financial statements of the parent company included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiary company, Halifax Parking Limited.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the financial position of the companies as at December 31, 1975 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. Doane and Company  
Chartered Accountants

Halifax, Nova Scotia  
February 16, 1976

# CONSOLIDATED STATEMENT OF CASH FLOW

	December 31 1975	1974
Net Income	<b>\$ 256,351</b>	\$ 151,312
Non-cash charges		
Depreciation	426,900	384,140
Amortization	78,725	54,951
Deferred income taxes	271,355	156,055
	<b>776,980</b>	595,146
	<b>1,033,331</b>	746,458
Non-cash credit		
Gain on fixed asset disposal		1,396
	<b>\$1,033,331</b>	\$ 745,062
Cash flow per share (Note 7)	<b>\$ .24</b>	\$ .17

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	December 31 1975	1974
Retained earnings, beginning of year	<b>\$ 421,061</b>	\$ 269,749
Net Income	<b>256,351</b>	151,312
	<b>677,412</b>	421,061
Dividends	<b>86,394</b>	
Retained earnings, end of year	<b>\$ 591,018</b>	\$ 421,061

# CONSOLIDATED STATEMENT OF SOURCE & APPLICATION OF CASH

**December 31**

**1975**

**1974**

## Source

### Operations

Net income	\$ 256,351	\$ 151,312
Depreciation	426,900	384,140
Amortization	78,725	54,951
Deferred income taxes	271,355	156,055

**1,033,331**      746,458  
                      1,396

Proceeds from mortgage loan	<b>1,033,331</b>	745,062
Sale of investments	<b>1,800,000</b>	27,500
Sale of equipment		2,900
Issue of capital stock (including debentures converted to shares)		251,000
Advances receivable	<b>1,780,964</b>	
Change in current bank loans, net	<b>304,480</b>	37,457
Issue of Series "C" mortgage bonds		2,000,000
Issue of income debenture		2,000,000
Increase in interim bank loans		5,365,510
Net decrease in current receivables and prepaid expenses over current payables		1,698,977

**\$4,918,775**      \$12,128,406

## Application

Increase in investment in corporate joint venture	\$ 376,628	\$ 45,022
Increase in advances receivable		593,894
Land, buildings and equipment	<b>2,214,586</b>	8,562,350
Debentures converted to shares		151,000
Decrease in current bank loans		1,973,177
Deferred charges	<b>100,387</b>	
Repayment of long-term debt	<b>383,632</b>	433,066
Discount on issue of Series "C" mortgage bonds		140,000
Decrease in long-term bank loans, net	<b>491,203</b>	
Excess of purchase cost of subsidiary over book value of assets acquired		229,897
Dividend	<b>86,394</b>	
Net increase in current receivables and prepaid expenses over current payables	<b>1,265,945</b>	

**\$4,918,775**      \$12,128,406

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Accounting policies

- (a) The company is a member of the Canadian Institute of Public Real Estate Companies. The company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of that Institute in all material respects.
- (b) The procedure of capitalizing expenses (net of revenues) is followed in relation to construction in progress. This amounted to \$155,500 for the year ended December 31, 1975 (1974 — \$81,300).
- (c) The sinking fund method of depreciation is used in computing depreciation charges applicable to buildings. Accordingly, depreciation has been computed on the basis of an amount which, compounded annually at a rate of 5%, will amortize the cost of the buildings over forty years. Under this method, depreciation charged to income will increase each year and in the fortieth year will have increased to approximately seven times the amount charged in the first year.
- (d) Bond discount and expense is being amortized on a straight-line basis over the life of the respective bonds.
- (e) Deferred charges are being amortized over a three year period.
- (f) Halifax Parking Limited, the subsidiary company is consolidated herein and Durham Leaseholds Limited the corporate joint venture, is accounted for by the equity method of accounting.

## 2. Receivable, Scotia Square Hotel Limited

During 1974 the company sold its 50% interest in Scotia Square Hotel Limited retaining ownership of the land and certain structures pertaining thereto. The receivable from that company was repaid on April 1, 1975.

## 3. Investment in corporate joint venture (Durham Leaseholds Limited)

The company's investment in this corporate joint venture with the Oxford Development Group Ltd. is accounted for on the equity basis and summarized as follows.

	1975	1974
Shares, at cost	\$ 150	\$ 150
Share of earnings — equity basis	<b>118,830</b>	72,202
10% advances, at cost	<b>112,500</b>	112,500
Demand notes, at cost	<b>330,000</b>	
	<hr/> <b>\$561,480</b>	<hr/> \$184,852

A property held by Durham Leaseholds Limited has been expropriated by the Province of Nova Scotia effective December 19, 1975. Compensation to be received for the property has not yet been determined.

## 4. Land, buildings and equipment

	1975	1974
Buildings and equipment	<b>\$37,625,905</b>	\$34,376,714
Less accumulated depreciation	<b>2,004,779</b>	1,577,879
	<hr/> <b>35,621,126</b>	<hr/> 32,798,835
Land	<b>1,559,989</b>	1,483,614
Property acquired for future development	<b>162,827</b>	161,271
Construction in progress	<b>8,552,981</b>	9,665,517
	<hr/> <b>\$45,896,923</b>	<hr/> \$44,109,237

The company is constructing and developing a real estate complex known as "Scotia Square" on approximately nineteen acres of land in the City of Halifax. The complex is comprised of shopping malls, offices, apartments, parkades and a hotel. The latest segments of the complex to be completed were MacKeen Towers (apartments) and Cogswell Tower (offices). Operating results of MacKeen Towers have been included for the last quarter. The Cogswell Tower was opened in 1975 and is still in the development stage. Accordingly, its net operating results have been capitalized in the current year's accounts.

**5. Long-term debt**

		<b>1975</b>	1974
8%	First Mortgage Bonds, First Series, due April 1, 1996 repayable in level monthly installments of \$91,585 principal and interest.  Additional interest calculated at 4 1/4% of gross annual rentals from specifically mortgaged premises, is payable at not less than \$100,000 nor more than \$150,000 in any one fiscal year of the company.	<b>\$11,094,103</b>	\$11,310,694
9 1/8%	First Mortgage Bonds, Second Series, due October 1, 1988 repayable in level monthly installments of \$52,095 principal and interest.	<b>6,393,270</b>	6,443,358
8 1/4%	First Mortgage loan repayable in level monthly installments of \$17,533 principal and interest to July 1, 1993.	<b>1,963,466</b>	2,016,314
9%	First Mortgage loan repayable in level monthly installments of \$22,436 principal and interest to April 1, 2000.	<b>2,676,678</b>	2,710,374
10 1/2%	First Mortgage loan repayable in level monthly installments of \$16,118 principal and interest to October 20, 2005.	<b>1,798,591</b>	
8%	General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993.	<b>2,820,000</b>	2,839,000
8%	General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994.	<b>970,000</b>	980,000
9 3/4%	General Mortgage Sinking Fund Bonds, Series C, due April 1, 1999. Sinking fund payments commence in 1979.  Convertible subordinated debentures, Series D, due August 16, 1993. During 1974 \$151,000 of Series D debentures were converted to 60,400 common shares. Debentures may be converted into common shares of the company on the basis of 400 shares for every \$1,000 principal up to May 16, 1978, and 285 shares for every \$1,000 principal after May 16, 1978 to August 16, 1993.	<b>2,000,000</b>	2,000,000
	Bank loan; principal repayments required in level monthly installments of \$4,000.	<b>360,000</b>	360,000
	Interim bank loans on the Cogswell Tower construction in progress	<b>139,404</b>	
	Bank loan on the MacKeen Towers construction in progress	<b>5,351,136</b>	3,691,152
		<b>\$35,566,648</b>	2,290,591
		<b>\$35,566,648</b>	\$34,641,483

Estimated principal and sinking fund payments during the next five fiscal years are as follows:

1976	\$507,000
1977	\$540,000
1978	\$575,000
1979	\$664,000
1980	\$672,000

**6. Halifax Parking Limited**

Halifax Parking Limited, the wholly owned subsidiary which operates the parking garage owned by the company was acquired in 1974. The acquisition has been accounted for by the purchase method and the purchase price in excess of net tangible assets acquired amounted to \$229,897. This amount is being amortized against operations over 20 years. The accumulated amortization to December 31, 1975 totals \$11,495.

**7. Capital stock**

Per share calculations for 1974 were computed using 4,299,552 shares being the weighted average number of shares outstanding for the year.

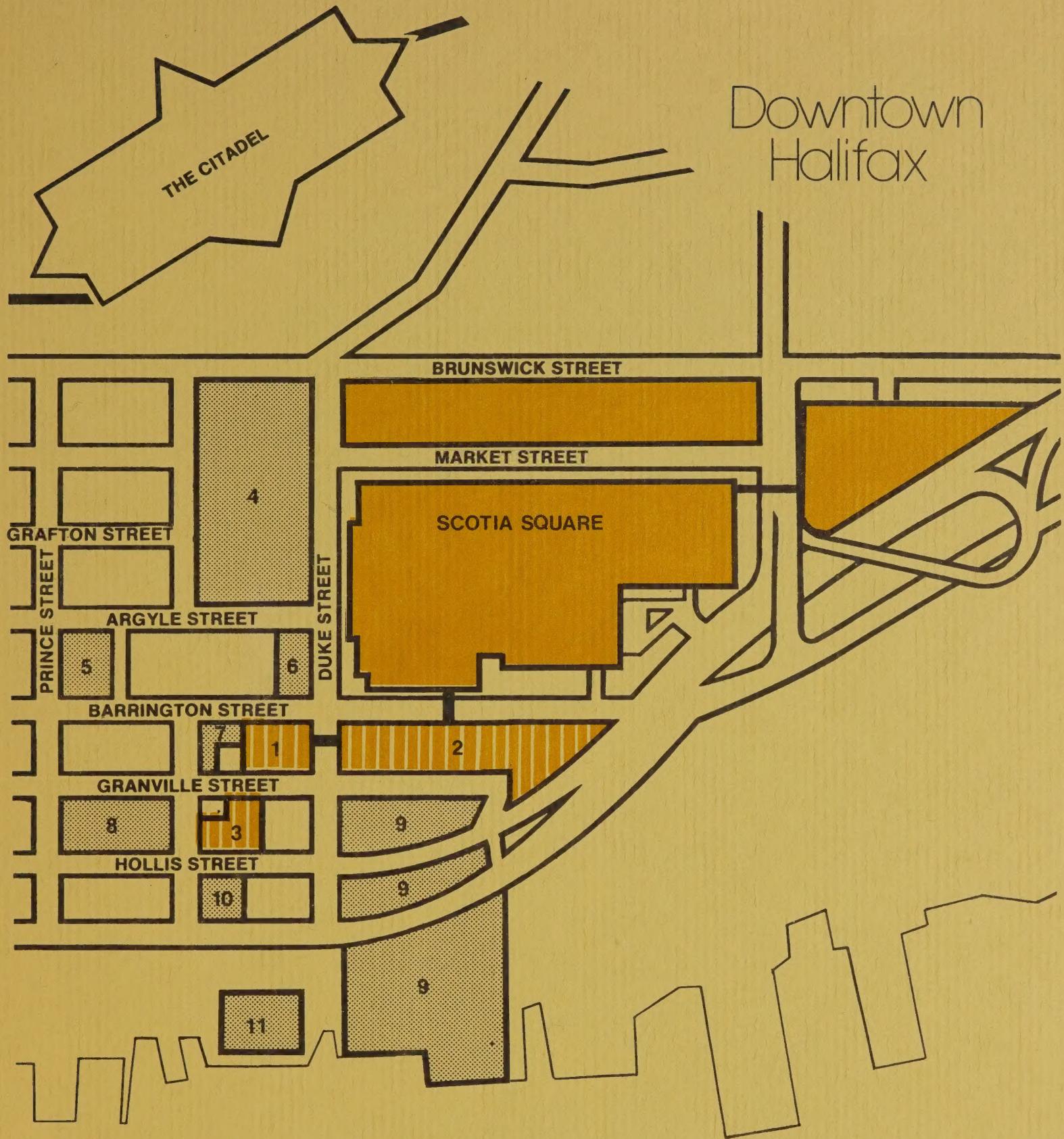
In order to provide for conversion of convertible subordinated debentures, Series D, 144,000 common shares have been reserved.

Fully diluted earnings per share for the year are \$.06 and cash flow per share on a fully diluted basis is \$.23.

**8. Contingent liabilities**

- (a) The company has a contingent liability of \$750,000 relating to the guarantee of bank loans of Durham Leaseholds Limited.
- (b) Sewer development charges, in the amount of approximately \$128,000 (including interest), have been levied against the company by the City of Halifax. The company is disputing the charges and accordingly has not included this amount in its accounts. The case is to be heard by the Supreme Court of Canada.

# Downtown Halifax

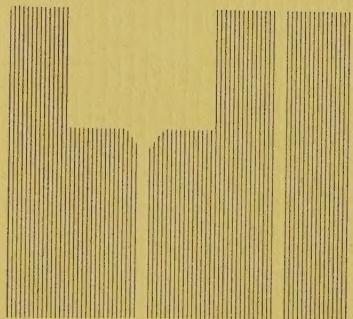


## Durham Leaseholds Limited Properties

1. Canadian Imperial Bank of Commerce Tower (under construction.)
2. Granville Mews and future tower.
3. Royal Bank Building.

## Other Properties

4. Proposed Metro Centre (convention and multi-use sports facility)
5. St. Paul's Church
6. City Hall and Grand Parade
7. Toronto Dominion Bank Tower (Under construction)
8. Province House
9. Historic Properties and College of Art
10. Bank of Montreal Tower.
11. The Law Courts



# HALIFAX DEVELOPMENTS LIMITED

P.O. Box 966, Halifax, Nova Scotia, (902) 429-3660